

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
*Two Gateway Center*  
*Newark, NJ 07102*

IN THE MATTER OF THE PETITION OF	)	<u>ENERGY</u>
ATLANTIC CITY ELECTRIC COMPANY FOR	)	
APPROVAL TO PARTICIPATE IN THE NEW RC	)	<u>ORDER OF APPROVAL</u>
MONEY POOL	)	
	)	DOCKET NO: EF02010049

Randall V. Griffin, Esq. for Atlantic City Electric Company

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising  
Accountant, Office of the Economist on behalf of the Staff of the Board of Public  
Utilities

BY THE BOARD:

On January 25, 2002, Atlantic City Electric Company ("Petitioner" or "Atlantic") a public utility corporation of the State of New Jersey, having a principal office at 800 King Street, Wilmington, Delaware, 19899, filed a petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:3-7.2, requesting approval of Atlantic's participation in an Intrasystem Cash Pool ("Cash Pool") that is expected to be established at the time of a planned merger involving Atlantic, its parent company Conectiv, and Potomac Electric Power Company ("Pepco"), assuming that all regulatory commission approvals for such a merger are obtained and the merger closes. At the time this petition was filed, the Cash Pool was referred to as the New RC Money Pool, with New RC being a "placeholder" name for the holding company that would be formed as the result of the merger. Since the time of filing, a holding company name has been decided upon – Pepco Holdings, Inc. ("Pepco Holdings"). Upon consummation of the merger, Pepco Holdings will own 100% of the voting shares of Conectiv stock and Conectiv will continue to own Atlantic. The Pepco Holdings Cash Pool will be maintained for the benefit of Pepco Holdings and its subsidiaries including Conectiv and Atlantic.

As previously authorized in Docket No. EF99060413 in an Order dated October 15, 1999, Atlantic currently participates in a Conectiv intrasystem money pool. Petitioners state that the Pepco Holdings Cash Pool will be operated in substantially the same manner as the Conectiv Money Pool has been operating.

The Cash Pool will be made up of various Pepco Holdings subsidiaries investing available surplus cash in the Cash Pool, which may then be loaned by the Cash Pool to other participating Pepco Holdings subsidiaries to meet their short-term operating needs. Petitioner states that the Cash Pool will be administered by the staff of a service company (either Conectiv Resource Partners Inc., which administers the current Conectiv money pool, or its successor, or a newly formed subsidiary company established to serve as the service

company for Pepco Holdings). The administration will be provided on an 'at cost' basis, and Cash Pool transactions will not incur any additional administrative costs. Interest for the use of funds will be charged to borrowers monthly and will be based on the weighted-average of the actual interest charges incurred by Pepco Holdings. Similarly, interest to the lenders of cash into the Cash Pool will be credited monthly. Since the Cash Pool charges no costs for administration, the interest earned and expensed by participating subsidiaries will be based on the actual interest rates incurred by Pepco Holdings.

Petitioner also states that Case Pool participants will receive evidence of all deposits. In addition, short-term notes must be executed when loans are made to subsidiaries. Pepco Holding will guarantee the return of deposits made by subsidiaries in the Cash Pool if, upon demand by the subsidiary, a deposit is not returned.

Petitioner proposes that its participation in the Cash Pool continue so long as the rating for Atlantic's commercial paper is equal to or lower than the comparable rating of Pepco Holdings by at least one nationally recognized rating agency.

After considering the record and the exhibits submitted in this matter, the Board FINDS that the Cash Pool will provide Petitioner an opportunity to earn a higher rate of interest on its short-term investments and to reduce expenses associated with its short-term borrowings.\* Therefore, the Board:

HEREBY ORDERS that Petitioner is hereby authorized to participate in the Pepco Holdings Cash Pool.

This Order is subject to the following provisions:

1. This approval shall not be construed as any type of pre-approval on approval of the merger petition (Docket No. EM01050308) pending before the Board.
2. All state and federal regulatory approvals for the merger involving Atlantic, its parent company Conectiv and Pepco must be secured and the merger consummated;
3. Petitioner is authorized to borrow for its short-term operating needs from the Cash Pool so long as the credit rating on commercial paper for Atlantic is equal to or lower than the comparable rating of Pepco Holdings by at least one nationally recognized rating agency and it is economical to do so;
4. Petitioner's borrowings from the Cash Pool, and any other sources, may not exceed the total amount of short-term debt authorized by the Board;

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\* On April 3, 2002, the day before the meeting for which this item was scheduled for consideration, the Secretary's Office received a telefacsimile from R. William Potter, Esq., apparently on behalf of the party he represents in I/M/O Petition of Atlantic City Electric Company, Conectiv Communications, Inc. and New RC Inc. for Approval under N.J.S.A. 48:2-51, 1 and N.J.S.A. 48:3-10 of a Change in Ownership and Control, BPU Docket No. EM01050308, OAL Docket No. PUC 04036-01, seeking a postponement of the matter because of allegedly unanswered questions. Contrary to that assertion, however, Staff discovery in this matter involving among other things various SEC filings resolved these issues. To the extent that Mr. Potter raises various competitive concerns, these are irrelevant to this particular matter and, moreover, same are being given a thorough review in the aforementioned merger matter.

5. Petitioner may not borrow any sum from the Cash Pool for a period of time greater than one year;
6. Petitioner may only deposit such surplus cash in the Cash Pool as it would otherwise have available for investment in short-term money markets or other short-term investment instruments; and
7. In the event of a lowering of the credit ratings for unsecured debt and commercial paper of Petitioner and/or Pepco Holdings, then further borrowing by Petitioner from the Cash Pool may not take place without further review and approval of the Board unless Pepco Holding's unsecured debt and commercial paper credit ratings remain equal to or higher than Petitioner's and the Board is notified of the change.

DATED: April 12, 2002

BOARD OF PUBLIC UTILITIES  
BY:

[SIGNED]  
JEANNE M. FOX  
PRESIDENT

[SIGNED]  
FREDERICK F. BUTLER  
COMMISSIONER

[SIGNED]  
CAROL J. MURPHY  
COMMISSIONER

[SIGNED]  
CONNIE O. HUGHES  
COMMISSIONER

ATTEST:

[SIGNED]  
KRISTI IZZO  
BOARD SECRETARY